

Scotland Residential Development Market

Development - Scotland - Summer 2026



A market under severe pressure

Scotland's residential development market is facing its toughest operating environment since the Global Financial Crisis. Under National Planning Framework 4 (NPF4) Policy 16(f), non-allocated sites continue to face barriers in obtaining planning permission, even in areas where there is a critical need to boost housing supply. Meanwhile, Scotland-wide, many NPF4-compliant Local Development Plans are unlikely to be in place before 2030, placing more pressure on the reducing number of sites that are allocated.

Drop in completions

Despite a slight pick-up in major housing planning applications during 2024/25, the number of homes being granted full planning consent in Scotland has more than halved since 2020. Unsurprisingly, across all tenures, the number of housing completions fell by -13% last year to 17,336 which is the second lowest calendar year total since 2016.

Viability is the biggest challenge

Higher costs of delivering new homes are rendering many sites as unviable, even for sites that have the benefit of having planning permission. With pressure due to increased construction costs, including infrastructure, unrealistic planning gain contributions and abnormal issues, viability is the biggest challenge facing development sites.

Change can happen

This publication highlights viability challenges but also provides flexible, pragmatic and evidence-based solutions. If implemented, these recommendations can help restore confidence, unlock stalled sites and deliver the homes communities across Scotland need.

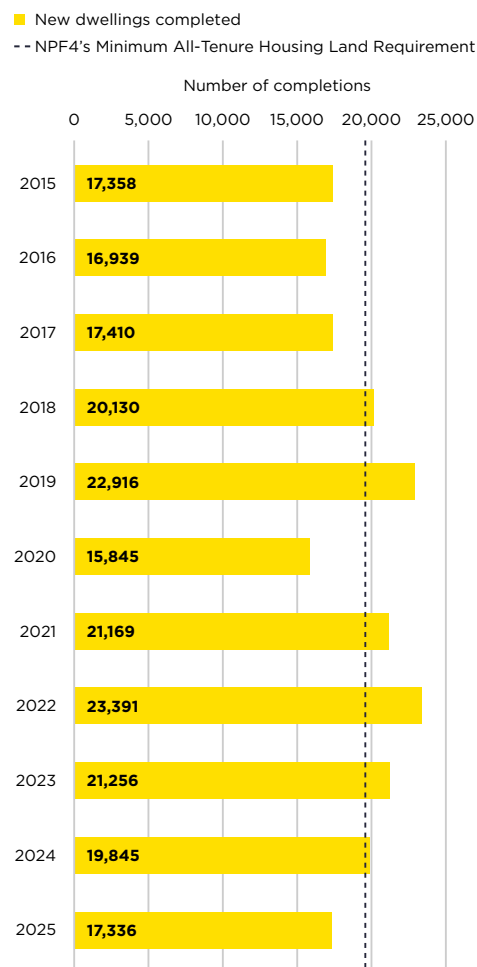
CHALLENGES

- High remediation costs and infrastructure requirements
- Affordable Housing allocation and developer contributions impacting viability
- Increase in planning gain contributions making sites unviable
- Slow planning process
- Delays in the preparation of Local Development Plans
- Diminishing supply from Small and Medium-sized Enterprise (SME) builders
- Repopulating city centres
- NPF4's 'Town Centre First' principle leading to planning delays
- High historical land valuations

SOLUTIONS

- Targeted intervention, through infrastructure investment, remediation support or patient funding
- Some form of flexibility could support stalled sites to proceed
- Compare house price inflation alongside build cost indexation to ensure viability
- Delegated powers to determine planning applications on allocated housing sites
- Reintroduce the presumption in favour of sustainable development on non-allocated land
- Deliver Masterplan Consent Areas so that SMEs can quickly start building
- Financial support for both the Build to Rent and Open Market for Sale sectors, including conversion of listed properties to boost city living and protect heritage buildings
- Create a 'pro-planning' environment to fast track applications for the change of use of derelict sites in core city locations
- Collaborative joint venture approach between landowners and developers to share profit to realise return on assets

HOUSING DELIVERY FALLING BELOW TARGETS



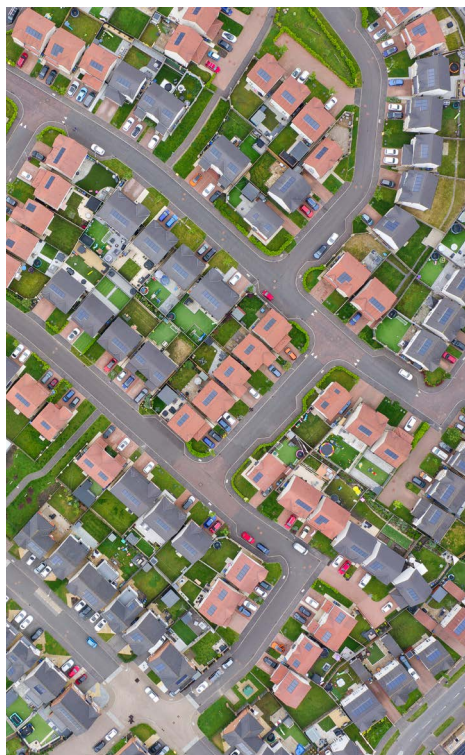
Source: Savills Research using Scottish Government

Appetite for greenfield sites remains strong

Demand for greenfield land, particularly across Scotland’s Central Belt, remains intense, especially for family housing sites in the 80–200-unit range. High competition is being driven by an environment where land supply remains extremely restricted. Headline Scottish greenfield values increased by 4.2% in Q1 2026, with sites around Edinburgh and Glasgow and regional locations in Perthshire and Stirlingshire outperforming.

Early viability assessments are essential

Whilst headline prices have grown, viability is becoming tougher. Rising abnormal costs, increasingly complex technical constraints and substantial planning gain contributions, which do not flex with market conditions, are widening the gap between gross and net land values. NPF4’s strengthened requirements around design quality, climate mitigation and infrastructure also add to this pressure, reinforcing the importance of early, robust viability work. In the context of the housing emergency, clear and early viability assessments submitted as part of the planning process are essential for demonstrating deliverability and securing proportionate obligations. The introduction of the Building Safety Levy in the current development climate will only exacerbate this issue.



The following case studies highlight some of the challenges facing greenfield sites, with solutions that can potentially kick start housebuilding.

GREENFIELD CASE STUDY 1

A flexible approach

With a 25% Affordable Housing allocation and full education contributions, in addition to infrastructure and other abnormal costs, a family housing site in the west of Scotland was failing to generate a land value. A viability assessment indicated that the site could only support 10% Affordable Housing and 50% of the required education contributions.

The local council’s planning officers exercised flexibility and were minded to approve the application. Subject to committee approval, this pragmatic approach can ensure the delivery of Affordable Housing in an area where completions have dropped below the Minimum All-Tenure Housing Land Requirement.

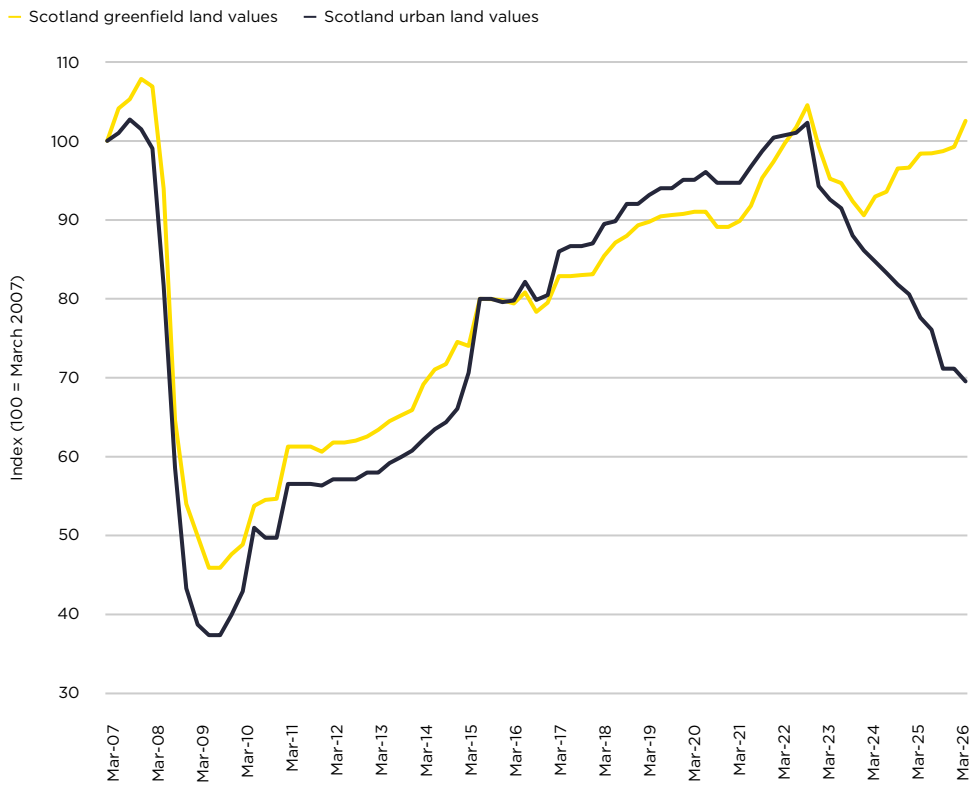
GREENFIELD CASE STUDY 2

Double impact

At sites in the north east of Scotland, the indexation of Section 75 agreements is generally linked to the build cost index. With local area house price growth suppressed, developers are being adversely impacted twice due to a dual increase in build costs and thereafter knock on increases in planning gain contributions. The lack of flexibility in existing agreements and the time taken to formally alter these agreements is hampering deliverability. The proposed sale of some developments have become unviable.

A pragmatic approach, as exercised in case study 1, or setting an ultimate cap has the potential to bring more sites forward and reduce the number of developments that stop delivering due to viability issues.

RESIDENTIAL DEVELOPMENT LAND VALUES



Source: Savills Research

Urban land market continues to face considerable headwinds



There remains a lack of developer appetite for flatted schemes across Scotland, with high build costs posing a threat on scheme viability. Indeed, construction input costs in Scotland increased by an average of 4.25% in the year to Q1 2026, according to the BCIS Scottish Contractors Panel. Furthermore, the Q1 2026 Royal Institution of Chartered Surveyors Construction Monitor reported skills shortages, including a shortage of quantity surveyors, bricklayers and other construction professionals. As a result, Scotland urban values fell by -2.3% in Q1 2026, bringing annual falls to -10.4%.

Developer preferences

In Edinburgh, the city's 35% Affordable Housing requirement for schemes of more than 11 units, alongside developer contributions for new infrastructure and services set out in City Plan 2030, continue to impact viability. In Glasgow meanwhile, private developer activity is limited to smaller, single phase flatted schemes of less than 100 units and low to medium density of less than six storeys in prime locations.

More diversification

The urban market is becoming increasingly diversified, with mixed use strategies becoming more competitive than purely residential plays. On recent Savills led disposals, serviced apartments, hotels, purpose built student accommodation and senior living have outperformed traditional residential.

The following case studies highlight some of the challenges facing urban sites, with solutions that can bring disused properties into residential use.

Q **URBAN CASE STUDY 1**

Government support

Glasgow City Council is keen to increase the city centre residential population. Here, the planning decision on a proposed residential development remains pending, over three years following submission. During this period, an increase in build costs has put viability under pressure.

Financial support, including grants and tax breaks, can allow SMEs to progress projects and also attract inward investment, similar to Greater Manchester's Good Growth Fund. Meaningful investment in Glasgow City Centre can also enable infrastructure such as schools, community facilities, healthcare provision and safer and cleaner streets that will be required to attract residents.

This project can also benefit from patient funding, possibly by the Scottish National Investment Bank (SNIB). Glasgow City Council's proposed partnership with Aviva Capital Partners and SNIB to develop the former Cowlairs site could see up to 1,500 new homes built.

Q **URBAN CASE STUDY 2**

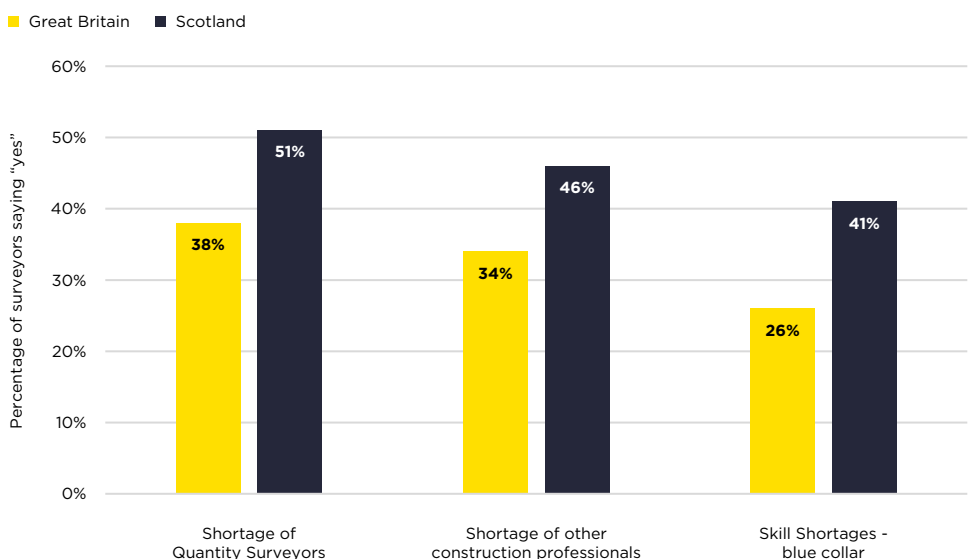
'Town Centre First' approach

A proposed development in the west of Glasgow involves a change of use of a deteriorating building. NPF4's 'Town Centre First' principle means that developers are expected to demonstrate that a building's existing use is no longer viable and a change of use, such as residential, would add to the viability and vitality of the area.

Approximately 20 years since the original building closed, the latest planning application for this site remains undecided, against a backdrop of reducing profit margins.

This development can benefit from the creation of a 'pro-planning' environment, to fast track city schemes, especially for brownfield sites and listed buildings. This can encourage more SMEs to enter (or re-enter) Scotland's residential development market.

CONSTRUCTION SKILL SHORTAGES MORE ACUTE IN SCOTLAND



Source: RICS UK Construction Monitor Q1 2026

Build to Rent is back on the menu

Among all the pressures facing Scotland's residential development market, Build to Rent (BTR) stands out as a bright spot, with the Housing (Scotland) Act 2025 confirming that BTR and Mid-Market Rent will be exempt from rent controls. Scotland now offers investors a predictable and attractive landscape. The strongest growth is likely to come from single family BTR, particularly in suburban and edge of city locations, where the shortage of family homes is most keenly felt. Despite the broader housing emergency - or in many ways because of it - there is an appetite for new delivery models, and BTR is well placed to fill part of that gap.

Viability issues affect BTR too

While confidence is rebuilding, build cost inflation, constrained funding and softening exit yields continue to weigh on viability. High-density, taller BTR carries a significant cost premium, with materially higher build costs and increased operational complexity placing pressure on viability. Where schemes have been funded and delivered elsewhere in the UK, they have typically relied on a mix of public sector grant support and often developer/contractor led joint venture delivery. As these funding structures have evolved over recent years developers are increasingly likely to receive their profit once schemes are stabilised, rather than on practical completion.



Masterplan Consent Areas as a solution

Another area of untapped potential lies with Masterplan Consent Areas (MCAs). MCAs offer a way for local planning authorities to remove planning risk, provide consistency and encourage place-based development. They can also help SME housebuilders, whose contribution to supply is both vital yet under pressure. Uptake of MCAs across Scotland has so far been limited, but with the right support they could open up new housing sites and accelerate delivery.

Q Outlook

The solutions are within reach

The supply of new homes is constrained however buyer demand and sales rates remain cautiously optimistic, despite economic challenges. That said, it is likely to remain a price sensitive market as buyers are exercising more caution in their budgets due to stretched mortgage affordability. Against this backdrop, the Scottish Government's creation of a £100 million First Homes Fund, providing up to £10,000 support for a deposit for first time buyers will offer some relief.

What Scotland needs now is a deliverability-led approach. That means assessing sites on whether they can realistically be brought forward within a meaningful timeframe and ensuring

viability is a material consideration from the outset of the planning process. Scotland's regeneration ambitions need to be backed by the financial support required. The establishment of a new national housing executive agency 'More Homes Scotland' from 2027-28, with a focus on enabling infrastructure work to unlock stalled sites, provides cause for optimism.

Scotland is not necessarily destined for a decade of under delivery. With clearer priorities and a willingness to adopt practical measures, Scotland can turn proposals and planning permissions into housing completions. The solutions are within reach; the task now is to put them into action.



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